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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

March 17, 2003

**Interpretive Letter #964**  
**May 2003**  
**12 CFR 3**

Subject: Risk-Based Capital Treatment of GSE Preferred Stock

Dear [ ]:

In your letter of November 13, 2002, you requested confirmation regarding the appropriate risk weight for a national bank's investment in preferred stock issued by United States Government Sponsored Entities (GSEs). The OCC applies a 20 percent risk weight to preferred stock issued by a GSE.

The OCC's capital regulations provide for a 20 percent risk weight on "Securities issued by, or other direct claims on, United States Government-sponsored agencies." 12 CFR 3, App. A, Section 3(a)(2)(vi). For purposes of this regulation, the term "security" includes preferred stock. Therefore, GSE preferred stock is a security issued by a U.S. Government-sponsored agency and receives a 20 percent risk weight. Please be aware, however, that the capital regulations of the other U.S. banking agencies are not identical to the OCC's in this regard. This letter is applicable only to the risk weighting by national banks of their holdings of GSE preferred stock. The treatment described herein supersedes the supervisory policy stated in the 1992 OCC letter that you referenced, which indicated that certain GSE preferred stock should be risk weighted at 100 percent.

If you have any questions, please contact Amrit Sekhon, Risk Expert, Capital Policy, at (202) 874-5070.

Sincerely,

*/s/ Tommy Snow*

Tommy Snow  
Director, Capital Policy